

ADS Supplementary Reference: 303
File Name: 30354s

Handbook 13: Grants
Chapter 4: Specific Support Grants 4A: Purpose
1974/10/15
1992/09/29

CHAPTER 4

SPECIFIC SUPPORT GRANTS

See also Interim Update Dataset: Major Functional Series 300, Interim Update #5, Policy Principles for Award of Assistance Instruments to PVOs and NGOs for Development and Humanitarian Assistance.

4A. Purpose

1. Definition

A specific support grant is a grant which supports all of or a portion of a discrete program proposed by an organization or an individual. A cooperative agreement may be used in lieu of a grant if it meets the requirements in Chapter 6.

2. Characteristics

a. Program Description

A specific support grant clearly defines the activities constituting the program supported by grant funds. The grantee justifies in advance the proposed costs for each element of the program. The program may cover a short period of time such as three months to support a conference or a longer period such as a two year program. The program description of any specific support grant should clearly state the purpose of the program, its implementation plan specifically identifying each element of the program, and its duration.

b. Budget Review

(1) Before entering into a specific support grant, each element of the program is reviewed for reasonableness and allowability of cost in

accordance with the applicable cost principles. Prior agreement is reached as to precisely what is to be an allowable cost for which the grantee can be reimbursed. This is made possible because of the clear understanding required of each element of the program.

(2) Paragraph 4H sets forth requirements applicable to grants which require cost sharing/matching by the grantee or grants where the AID funds represent partial funding of the program along with other donor funds. The Agency should be assured that the grantee has sufficient financial capability to contribute its share of the funds necessary for successful completion of the program, as provided for in Paragraphs 1J, 1K, and 1L of this handbook.

c. Administration

(1) The goals of the grant and the planning and implementation to reach those goals should be contained in the program description of the grant agreement. The Agency's role in administration is to measure and evaluate the grantee's progress in achieving those goals, rather than to manage the implementation of the program.

(2) Measuring and evaluating progress is normally undertaken through periodic program reports and evaluation reviews, visits, and fiscal reports. The grant agreement should spell out the form and content of any reports as required by Paragraphs 1M and 1N of this handbook.

d. Accountability Concepts

A specific support grant provides AID funding in whole or in part for a specific program conducted by the grantee. Under this type of financial arrangement, the program objectives must be clearly stated in the grant and the grantee must, in accordance with Paragraph 1L of this handbook, accumulate and segregate costs applicable to the AID funded program or portion of a program from other activities conducted by the grantee.

e. Determination of Funding Level

The methods for negotiating the costs of a specific support grant parallel those for a cost-reimbursement type contract. The Agency must exercise its duty of fiscal accountability during the negotiation of costs. The costs associated with a specific support grant must be identified prior to the initiation of the program. Items such as salaries, travel, and other direct costs that are to be reimbursed should be clearly defined and supported as the analysis of the cost items will result in a determination of the amount of funding needed to fund the program. Revisions to a grantee's financial plan shall be made in accordance with Paragraph 1P of this handbook.

f. Eligible Recipients

(1) Under the terms of this Chapter, specific support grants may be made to nonprofit organizations including private voluntary organizations, higher educational institutions and hospitals, individuals, and for-profit organizations. AID occasionally provides grants to state or local government organizations; in such cases, the U.S.-Government common rules for state and local government grants (based on OMB Circular A-102) would be applicable.

(2) For the purposes of this Handbook, the term "nonprofit organization" means any corporation, trust, association, cooperative, or other organization which (a) is operated primarily for scientific, educational, service, charitable, or similar purposes in the public interest; (b) is not organized primarily for profit; and (c) uses its net proceeds to maintain, improve, and/or expand its operations.

**** END OF SECTION ****

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4B: PIO/Ts
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4B. PIO/Ts

1. The specific support grant PIO/T should contain a clear and complete program description, definitive reporting requirements, and any special provisions desired by the technical office. The PIO/T should reserve sufficient funds to cover all costs to be reimbursed by the Agency and set the dates during which the grantee may charge costs incurred to the grant. In AID/W, the PIO/T is prepared and transmitted to the Office of Financial Management (FA/FM), for recording the reservation of funds prior to being sent to the grant officer for action.
2. Any waivers (e.g., procurement source) should be attached to the PIO/T.
3. If an Invitation for Applications is not to be issued, a noncompetitive justification prepared in accordance with Chapter 2, paragraph 2.B.4 of this Handbook, shall be attached to the PIO/T.
4. If the grant is based on noncompetitive procedures or limited competition, and the technical office has received a copy of the application, the original copy of the application or grant proposal shall be attached to the PIO/T.

** END OF SECTION **

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4C: Application Documentation
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4C. Application Documentation:

Documentation to be obtained from an applicant must include:

1. Application

a. The potential recipient shall develop an application which, for purposes of good management, will provide a clear summary of what is to be accomplished, the resources and steps required to meet objectives in an identifiable period of time, a realistic financing scheme, and benchmark measures of progress toward the objectives.

b. The application shall include the basic rationale for the projected activities, important assumptions, and a description of the groups and individuals to be involved.

c. The application shall identify a system which enables the recipient, normally on a quarterly basis, to assess the means by which it pursues established objectives, the relevance of those means to the attainment of the objectives, and the adequacy of inputs toward the objectives, the extent to which objectives have been accomplished and necessary remedial actions taken.

2. Financial Plan and supporting data.

3. Background information on the applicant, including copies of its financial reports for the previous 3-year period, which have been audited by a certified public accountant or other auditor satisfactory to AID. Applicants shall submit projected budget, cash flow, and organization chart. Applicants that have never received a grant, cooperative agreement, or contract from the U.S. Government are required to submit a copy of their accounting manual. If a copy has already been submitted to the U.S. Government, recipient should advise which Federal Office has a copy.

4. (a) A signed copy of the "Assurance of Compliance with Laws and Regulations Governing Nondiscrimination in Federally Assisted Programs" (See Appendix 3C of this handbook).

(b) A signed copy of the "Certification Regarding Debarment, Suspension, and Other Responsibility Matters - Primary Covered Transaction" (See Appendix 3A, Annex 1).

(c) A signed copy of the "Certification Regarding Debarment Suspension and Other Responsibility Matters - Lower Tier Covered Transactions" from all prospective lower tier participants (See Appendix 3A, Annex 1).

(d) A signed copy of the "Certification Regarding Drug Free Workplace Requirements" (See Appendix 3A, Annex 2).

(e) A signed copy of the "Certification Regarding Lobbying" and a completed "Disclosure of Lobbying Activities," as required (See Appendix 3B).

5. A list of all contracts, grants or cooperative agreements involving similar or related programs over the past three years. The list must include the name and address of the organization or agency which funded the programs or for whom services were performed, the current telephone number of a responsible technical representative of that organization or agency, the number, if any, of each contract, grant or cooperative agreement; and a brief description of the program. (See Paragraph 2C4 of this handbook.)

6. Personnel and travel policies, if required by paragraph 4D4 below.

7. Procurement and property management policies if procurement is likely to be a significant element of the grant or cooperative agreement.

**** END OF SECTION ****

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Chapter 4: Specific Support Grants

4D: Review of Managerial and Technical Capability Criteria for
Assistance Recipients

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4D. Review of Managerial and Technical Capability Criteria for Assistance Recipients

1. To be eligible to receive a grant, a potential recipient must satisfy AID that it possesses, or has the ability to obtain, the necessary management competence in planning and carrying out assistance programs and that it will practice mutually agreed upon methods of accountability for funds and other assets provided by AID

2. The recipient must demonstrate potential or actual management ability and the capacity to plan and implement a program in the field of the recipient's expertise.

3. The recipient's accounting, recordkeeping and overall financial management system must meet the standards set forth in Paragraphs 1I, 1J, 1L and 1M of this handbook.

4. Personnel and Travel Policies

a. Prior to awarding an assistance instrument to a recipient which has never received an award from the U.S. Government, the Overhead, Special Costs, and Contract Closeout Branch shall review and approve the applicant's personnel and travel policies and procedures. The purpose of the review is to determine that the policies reflect a system which is adequate to ensure that the resulting costs will not be unreasonable in accordance with the applicable cost principles. If these personnel and travel policies have been approved by another U.S. government agency, AID will generally accept that approval.

b. Personnel policies: To be considered adequate, the policies must be in writing, applicable to all employees of the organization, be subject to review and approval at a high enough organizational level to assure its uniform enforcement, and result in costs which are reasonable and allowable in accordance with the applicable cost principles.

c. Travel policies: To be considered adequate the policies must be in writing, be applied uniformly to both federally financed and other activities of the organization, and result in costs which are reasonable and allowable in accordance with the applicable cost principles.

d. Once the policies have been reviewed and found to be acceptable, only subsequent major changes to the policies must be approved.

e. When an assistance instrument is to be awarded to an educational institution, the Office of Procurement's Overhead and Special Costs and Contract Closeout Branch (FA/OP/PS/OCC) will determine, in accordance with the requirements of OMB Circular A-88 entitled "Indirect Cost Rates, Audit and Audit Followup at Educational Institutions," whether the recipient's travel and personnel policies have been reviewed, and if not, will coordinate such review with the cognizant agency.

f. Depending upon the total estimated dollar value and the nature of the agreement, (e.g., small dollar, short duration) FA/OP/PS/OCC might elect to review only portions of the recipient's policies.

5. Preaward Evaluation

a. Before making an award, the grant officer must determine whether the recipient is able to meet the standards discussed in this Section 4D. To make this determination, the grant officer will conduct an informal or desk survey, or will establish a formal survey team consisting of a representative of the cognizant Regional Inspector General Audit (RIG/A), a representative of the sponsoring technical office (including, as appropriate, an individual from the program review or management office of the Bureau or Mission in which the sponsoring technical office is located), and a representative of the grant office. A formal survey team should normally be established if:

- (1) Either the grant officer or the technical officer is uncertain about the prospective recipient's capacity to perform technically or financially;
- (2) The prospective recipient has never had an AID grant, cooperative agreement or contract before,
- (3) The prospective recipient has not received a Federal award in the last five years (even if a formal survey team is not established in this instance, the grant officer shall, at a minimum, request an audit to be conducted by RIG/A, or an independent audit firm under contract, or if the grant officer determines it to be appropriate, by the Controller's staff), or
- (4) The grant officer otherwise determines it to be in the best interest of the Government.

b. Whether by means of a formal selection survey, or through an informal or desk survey, the grant officer shall, before awarding any grant:

- (1) Review the proposed program description and financial plan for sufficiency.
- (2) If applicable, request FA/OP/PS/OCC to review and approve recipient's personnel and travel policies to determine reasonableness, in accordance with the applicable cost principles (see paragraph 4D4 above).
- (3) Make a determination of the prospective recipient's responsibility to the effect that the prospective recipient has:
 - (a) Adequate financial resources, or the ability to obtain such resources as required during the performance of the grant.
 - (b) The ability to comply with the grant conditions taking into consideration all existing prospective recipient commitments, nongovernmental and governmental.
 - (c) A satisfactory record of performance. Prospective

recipients who are or have been deficient in current or recent performance (when the number of grants, contracts and cooperative agreements and the extent of the deficiency of each are considered), in the absence of evidence to the contrary of circumstances properly beyond the control of the prospective recipient, shall be presumed to be unable to meet this requirement. Past unsatisfactory performance will ordinarily be sufficient to justify a finding of nonresponsibility, unless there is clear evidence of subsequent satisfactory performance. The grant officer will collect and evaluate data on the past performance of applicants using information on past programs provided in accordance with paragraph 2C4 of Chapter 2 of this handbook.

(d) A satisfactory record of integrity and business ethics;
and

(e) Is otherwise qualified to receive a grant under applicable laws and regulations (this includes meeting the standards discussed in the following paragraph).

c. When an audit is conducted, the representative of the cognizant RIG/A (or other auditor) shall review and report on the following:

(1) If the prospective recipient's accounting, recordkeeping, and overall financial management systems meet the standards set forth in paragraphs 1I, 1J, 1L, and 1M of this handbook.

(2) If the prospective recipient's system of internal controls is considered adequate.

(3) If the prospective recipient's property management system, if applicable, meets the standards set forth in paragraph 1T of this handbook. Audit findings regarding grantee nonconformance to system standards shall be referred to FA/OP/PS/OCC for resolution.

(4) If the prospective recipient's procurement system meets the standards set forth in paragraph 1U of this handbook. Applicable only if the procurement element is either more than 50% of the agreement or worth over \$250,000. Audit findings regarding grantee nonconformance to system standards shall be referred to FA/OP/PS/OCC for resolution.

d. The representative of the technical office shall be requested to advise the grant officer concerning the professional and technical experience and competence of the prospective recipient; the consistency of the prospective recipient's program with the objectives of the Foreign Assistance Act; and the conformity of the recipient's program to AID's program criteria.

e. If the prospective grantee will be acquiring, shipping or distributing

pharmaceuticals, the Office of Procurement, Contracts and Commodities (OP/CC) shall be notified by the grant officer as part of the responsibility determination of the prospective grantee. OP/CC may approve the grantee's procurement system for U.S. source pharmaceuticals by making a determination that the grantee maintains adequate internal controls and procedural safeguards. If such approval is granted by OP/CC, then approval of individual procurements and/or shipments of U.S. source pharmaceuticals is not required under the grant. Non-U.S. source procurements will still be subject to case-by-case approval.

f. Written Report

(1) Each office involved in the survey team evaluation will make a written report of its findings. The report will contain a recommendation and any stipulations by each office. The grant officer shall include a certification as to the responsibility of the prospective recipient. The reports will be sent to the grant officer for retention in the official file, and if there are negative recommendations, the grant officer will develop a summary report and send the summary and all individual office recommendations to the head of the sponsoring technical office for final decision. The head of the sponsoring technical office will make a written decision and will include reasons for overriding any adverse recommendations of the survey team. Either office may then appeal the decision to the AA of the Bureau within which the sponsoring technical office is located.

(2) The grant officer will also make a recommendation as to whether or not a grant is the proper instrument to be used in accordance with Chapter 25 of Handbook 1, Supplement B. If the grant officer and the technical officer do not agree as to the proper instrument, after consultation with their legal advisor, written arguments will be submitted to DA/FAA for determination as to the proper instrument.

** END OF SECTION **

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Chapter 4: Specific Support Grants
4E: Grant Negotiation, Drafting, and Processing
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4E. Grant Negotiation, Drafting, and Processing

1. Grant Negotiation

a. When the review process required by paragraph 4D of this

handbook is completed and the completed certificates of compliance per 4C4 have been received, negotiation of program changes, terms, and conditions will be conducted. The negotiations will include the grant officer, the sponsoring technical office representative and the prospective recipient's representative. At the completion of the negotiations all parties must agree on the program description, the grant budget (including method of payment) and all terms and conditions before the grant is signed by the grant officer. If a letter of credit method of payment is to be used, an oral clearance will be obtained from the appropriate official in FM/CMP.

b. The technical office and the grant office, subsequent to the execution of the agreement, shall keep each other up-to-date by sending other offices a copy of each piece of correspondence sent to or received from the prospective recipient.

2. Grant Drafting

a. The grant document consists of a letter obligating the funds and attachments to the letter prescribing the terms and conditions of the grant. (See Appendixes 4A through 4D.)

b. The grant letter (Appendix 4A) will set out the purpose of the grant, the amount of the grant, and the conditions of the grant.

c. Normally the first attachment in a specific support grant is the schedule (Appendix 4B), which will include the program description, evaluation indicators, reporting requirements, and the financial plan.

d. The grant budget will set out expenditures to be incurred by program categories (i.e., objectives, outputs, activities, etc.). The grant budget should be illustrative and the grantee should be allowed flexibility within the total obligated amount. The grant budget will set forth the funding provided for the whole program, showing those costs borne by the Agency, and those borne by the grantee and other donors. The grant budget should show the dates during which the obligated funds are to be available. Funding revisions will be considered in the event of significant changes in the grant budget and/or level of activity contemplated (see paragraph 1P of this handbook).

e. The last attachment contains the standard provisions (Appendix 4C or Appendix 4D).

3. Payment Procedures

a. Federal policy endorses extending advances in reasonable amounts to nonprofit educational or research institutions for experimental, developmental or research work. AID extends this policy to all nonprofit

organizations, including U.S. or international private voluntary organizations, U.S. educational and research institutions and international research institutions. This policy assures that nonprofit organizations will not be forced to utilize their own working capital or earmarked funds to finance programs carried out under agreements with AID. Department of the Treasury policy, however, requires AID to monitor the cash management practices of these institutions to insure that Federal cash is not maintained in excess of that required for the grantee's immediate disbursement needs.

b. For specific requirements for choice of payment procedure, see paragraph 1.0 of this handbook.

4. Grant Processing

a. When agreement has been reached on all terms and conditions, the grant is put into final form and signed by the grant officer, thereby obligating the funds. The grant is then sent to the grantee for acknowledgement of receipt.

b. The grant and a copy of the PIO/T are sent to the Office of Financial Management (FA/FM/A, cc: FA/FM/CMP) or the Mission Controller, to be recorded in the accounting records.

5. File Documentation

Details on file documentation requirements are set forth in paragraph 1V of this Handbook.

6. Amendments and Termination

a. Funded Amendments - This type of amendment should follow the same basic process used in writing a new grant, except for the grantee selection, management, and technical capability review procedures.

b. Nonfunded Amendments - If any changes are required in the grant, the cognizant technical office should prepare a PIO/T authorizing the grant officer to make such a change.

c. Termination for Convenience or Cause - (See paragraph 1R of this handbook.)

**** END OF SECTION ****

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4F. Standard Provisions

1. Use of appropriate standard provisions as set forth in either Appendix 4C (U.S. grantees) or Appendix 4D (non-U.S. grantees) is mandatory.
2. The use of a standard provision which differs from any of those set forth in the appropriate Appendix, or deletion of a mandatory and applicable standard provision, requires a deviation approved in accordance with paragraph 1E of this handbook.
3. A special provision within the schedule of the grant (see Appendix 4B) shall be used to modify standard provisions, or add any standard provisions.

** END OF SECTION **

HandBook 13: Grants
Chapter 4: Specific Support Grants
4G: Grant Administration
1974/10/15
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4G. Grant Administration

1. AID's role in administration is first to select an organization which is capable and competent to carry out the agreed upon program and meet the stated goals of the grant and then to measure and evaluate the grantee's progress to assure that the purposes of the grant are being effectively achieved and that the assumptions under which the grantee was selected are still valid. The grant program is not managed by AID. The grantee establishes the goals for the program which are approved by AID and included in the grant and is responsible for planning and implementation to achieve those goals. The Agency's role in agreeing to support the program is to measure and evaluate the grantee's progress in achieving those goals. This is accomplished by use of program and fiscal reports and through the contact maintained by the technical officer.
2. The roles of the grant officer and technical officer in grant administration are described in detail in paragraph 1B3 of Chapter 1 of this Handbook.
 - a. Informal relationships with the grantee are generally carried out by the technical officer, and consist primarily of coordination of the grant program with on-going AID direct programs, information exchange, and guidance in AID

reporting and evaluation requirements.

b. Unless otherwise specified in the grant, all required approvals, interpretation of grant terms and conditions, and changes to the grant shall be made only by the grant officer. In no event will changes in the funds available under the grant be made by anyone other than the cognizant grant officer.

c. Technical officers should take great care to avoid any situation in which a grantee may assume or infer authorization to overrun grant or budget ceilings without approval by the grant officer. Assurances of additional funding through new grants or amendments to existing grants should not be made by technical officers without such approval.

3. Reports are required at the intervals specified in the schedule of the grant.

a. The Financial Statement Report (SF 269 dated 9-76) shall be prepared by the grantee in accordance with paragraph 1M of this handbook. Expenditures should be reported by program input costs. The grant must have a clear definition of expenditures as related to the grantee's accounting system. The fiscal report should provide a useful quantification of program achievements. For grant programs having subprograms, the grantee will include information on disbursements to subprograms, reported subprogram expenditures, audited expenditures and pipeline. For Mission funded grants under a letter of credit, a copy of the SF-269 report is sent to the appropriate Mission accounting station.

b. At a minimum, the annual report should consist of both narrative and tabular detail on each program (see paragraph 1N of this handbook) plus headquarters costs. The narrative should be a brief discussion of progress against program objectives in the past calendar year, significant program developments anticipated during the current year and a statement of projected accomplishments for the coming year. Past, current, and budget year information should be presented tabularly by program input costs.

4. As covered in paragraph 1L4 of this handbook, U.S. grantees are required to conduct audits usually annually, but not less often than every two years in accordance with the requirements in OMB Circular A-133. These examinations are intended to ascertain the effectiveness of the financial management systems and internal procedures that have been established to meet the terms and conditions of the grants. In accordance with the standard provision in Appendix 4C, "Accounting, Audit, and Records," the grantee is to provide a copy of each such audit to the grant officer. The grant officer, in turn, shall provide a copy to the Regional Inspector General for Audit and to the appropriate technical office. AID may also conduct audits to determine whether the grantee has expended the grant funds in accordance with the terms and conditions of the

grant and whether program performance and accomplishments were realized as intended.

Non-U.S. grantees shall perform annual audits, if required, in accordance with the Standard Provision in Appendix 4D, "Accounting, Audit and Records."

5. Close out. (See paragraph 1Q of this handbook.)
6. Property Management. (See paragraph 1T of this handbook.)
7. Procurement Management. (See paragraph 1U of this handbook.)

** END OF SECTION **

HandBook 13: Grants
Chapter 4: Specific Support Grants
4H: Cost Sharing, Matching Grants
1974/10/15
1987/10/07

4H. Cost Sharing/Matching Grants

1. Definition: Cost sharing/matching is a required contribution by the grantee from non-Federal sources toward the total cost of the program, either in cash or in-kind, usually described as a percentage of total costs.
2. The determination as to the requirement for a level of cost sharing/matching is the responsibility of the cognizant program officer. All grants designated by the program office as matching or cost sharing grants will contain the Standard Provision entitled "Cost Sharing/Matching."
3. Criteria and procedures for the allowability of cash and in-kind contributions made by grantees to satisfy cost sharing/matching requirements are set forth in paragraph 1K of this handbook. Except for these requirements, no other requirements set forth in the standard provisions are applicable to costs incurred by the grantee from non-Federal funds.
4. Cost sharing/matching percentages will be applied to the total cost of the grant program. Cost principles applicable to grants prohibit the accomplishment of cost sharing/matching through arbitrary limitations on individual cost elements. This is particularly important in the area of indirect costs (overhead). When a negotiated overhead rate agreement is in effect between AID or another cognizant agency and a grantee organization, the negotiated rate will be applied to the agreed upon direct costs to determine the total cost of the program, and the cost sharing/matching percentage will be applied to the total cost.

5. Unless otherwise specified in the schedule of the grant, verification that the cost sharing/matching requirement has been met will be made at the end of each funding period or on an annual basis as determined by the cognizant program office. Verification is based on expenditures. Individual expenditures do not have to be shared or matched provided that the total expenditures incurred during the designated funding period or year are shared or matched.

6. The grantee must account for the AID funds in accordance with the standard provision entitled "Accounting, Audit and Records." However, in the event of disallowances of expenditures from AID grant funds, the grantee may substitute expenditures made with funds provided from non-Federal sources, provided they are otherwise eligible in accordance with paragraph 1K of this handbook.

**** END OF SECTION ****